



# Belfius 1H 2023 results

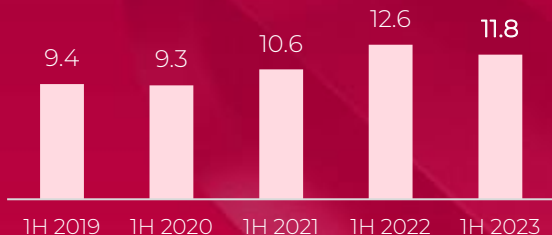
Analyst Conference  
1 September 2023



# Meaningful & inspiring for Belgian Society. Together

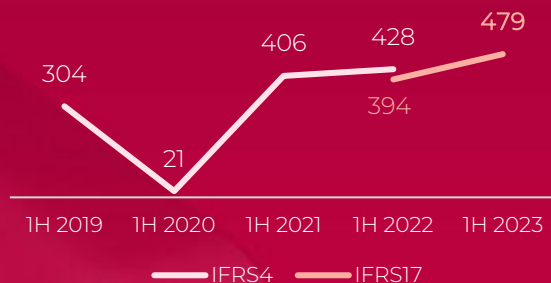
## Belfius 1H 2023 - highlights

LT loan production (in bn€)



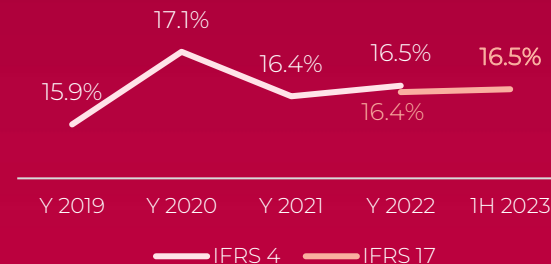
Commercial dynamics  
benefitting from  
diversification strategy

Net Income (group share, in m€)



Excellent financial  
results

CET1 ratio (in %)



Sustained risk profile  
and sound solvability

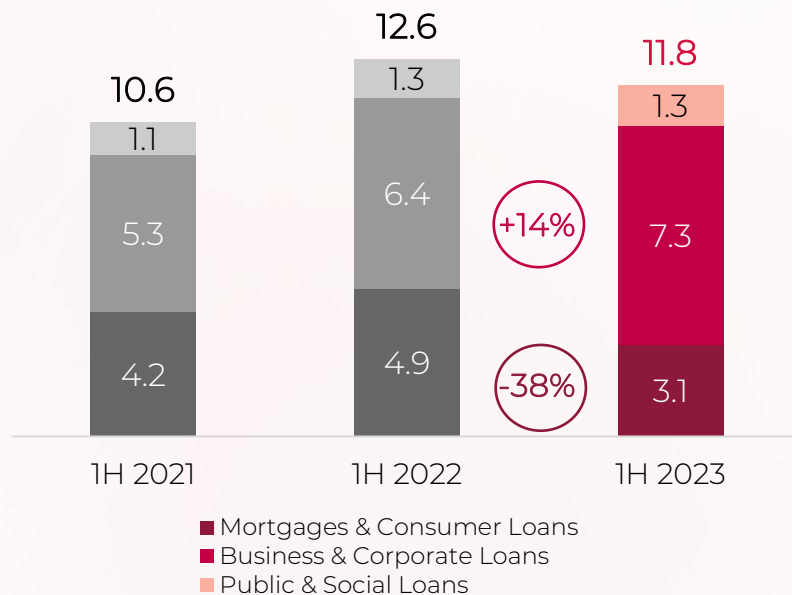
In a transforming macro-economic context



# Diversification strategy supporting Commercial Dynamics

## Belfius' diversified lending capacities partially compensate slowdown in Belgian mortgage loan market

LT loan production (bn€)



18%

Market Share Mortgage  
Loans<sup>1</sup>

19%

Market Share Business  
Loans<sup>2</sup>

19%

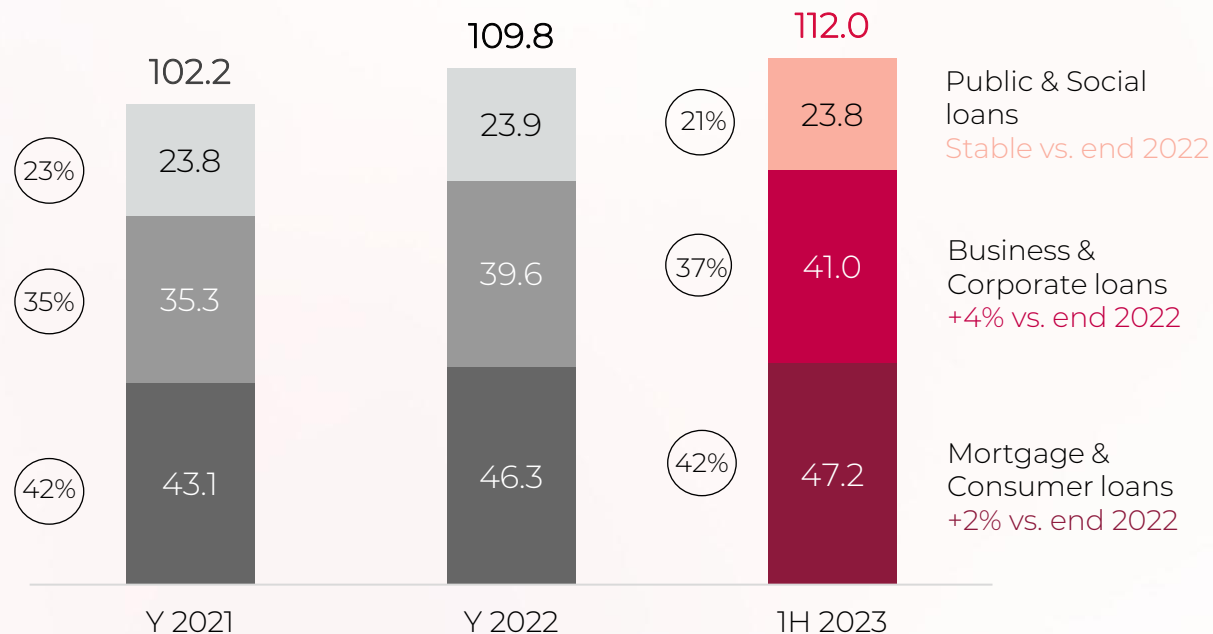
Market Share Corporate  
Loans<sup>2</sup>

Notes: 1. calculation based on production per 1H 2023. 2. market share on outstanding loans per end 2022.

## Loans

# ... and allow to further grow & diversify our sound commercial loan book

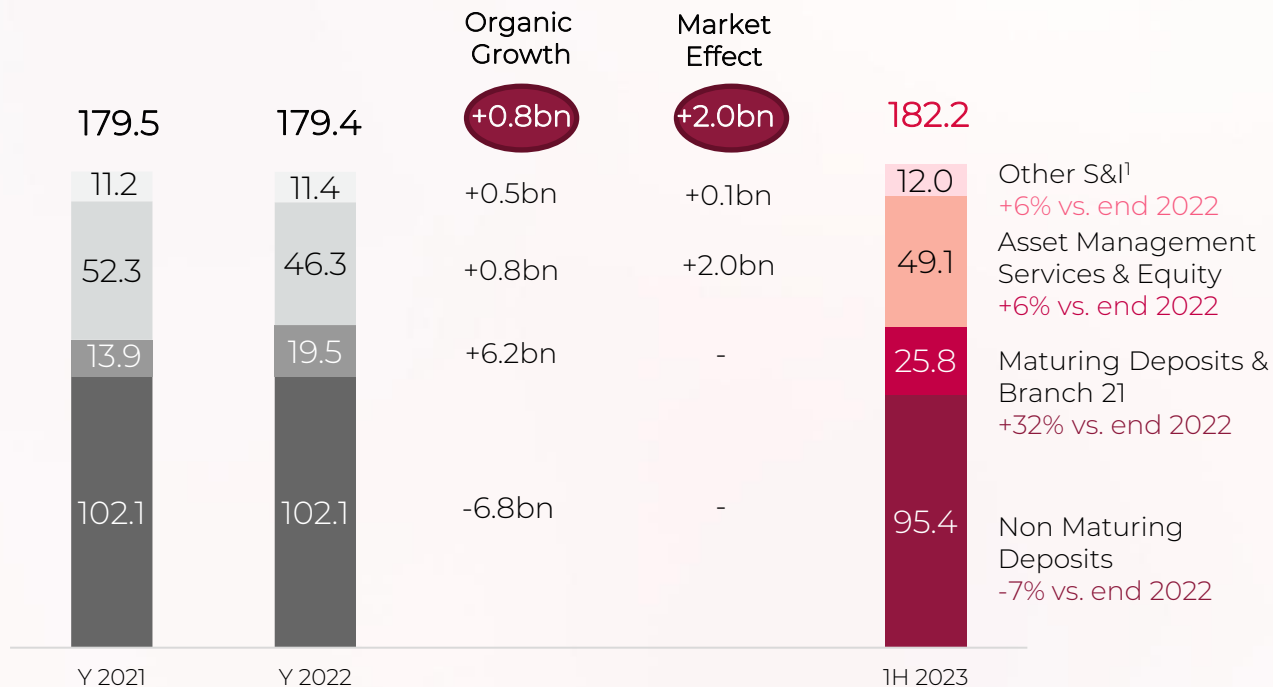
Outstanding commercial loans (bn€)



(%) % of total portfolio

# Further growing S&I with changing profile: shift towards maturing products

Outstanding S&I (bn€)



Commercial  
Dynamics

## Savings & Investments

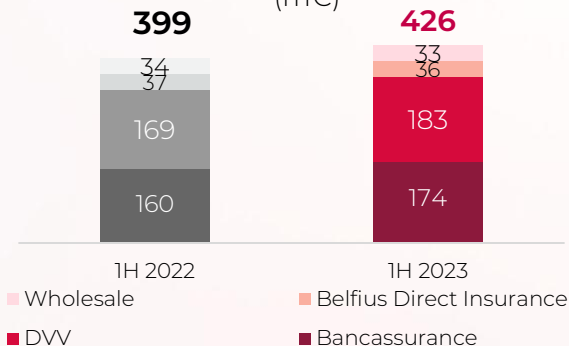
Note 1. Other S&I consisting of Belfius' Commercial Paper, Pension Insurance and Third Party Products (excluding stock exchange).



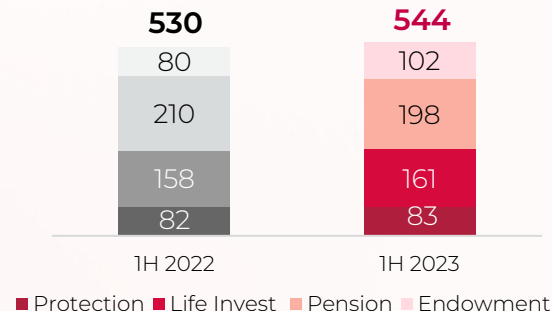
# Insurance

## Belfius' Insurance activities continue to grow

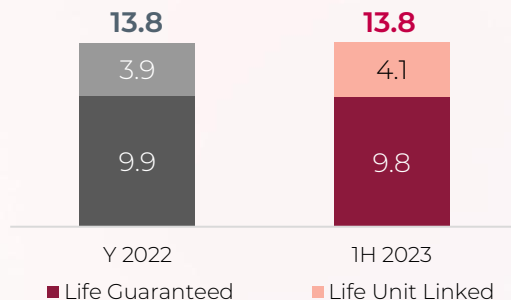
Non-Life GWP P&C per channel  
(m€)



Life GWP per product type (m€)



Insurance reserves per type (bn€)



Mortgage loans

X-sell **135.6%**

credit-linked life insurance

(vs 130.8% FY 2022)



An abstract graphic consisting of two overlapping, curved, 3D ribbon-like shapes in a light blue color, set against a dark blue background. The ribbons are positioned on the left side of the slide, with one above the other, creating a sense of depth and movement.

# Excellent Financial Results



# Preliminary notes on IFRS17

## First time adoption of IFRS17 Change in Income

From (IFRS4&9)	To (IFRS17&9)	Initial delta due to new norm
Income	Income	
• NII Bank	• NII Bank	
• F&C Bank	• F&C Bank	
• Life Income	• Life Income	
• Non-Life & Health Income	• Non-Life & Health Income	
• Other Income	• Other Income	

- **Life Insurance income (BBA) & Health Insurance income (BBA)** will be recognized over the lifetime of the contract, with no day-one profit recognition anymore. The CSM gives an indication into the future profitability of insurance contracts and will generally equal the eventual insurance results as well as the reversal of the risk adjustment if all estimated cash flows occur. Changes in estimates will impact the CSM and booked on the B/S, and then spread over the remaining life of the impacted contracts (except at the occurrence of a loss component, then immediately in P&L)
- **Non-Life (PAA) & Health Insurance income (PAA)** undergo at first only limited changes versus IFRS 4 (main new elements under IFRS 17: risk adjustment as an allowance for uncertainty & discounting of the Liability for Incurred Claims (LIC), and recognition of loss component). However, the effective claims paid out and evolution of claims reserves are not booked in income line anymore, but in Insurance Service Expenses line (see further).
- Belfius continues to treat unit linked contracts as investment contracts within the scope of IFRS 9, because they do not generally contain an insurance component or DPF.

# Preliminary notes on IFRS17

## First time adoption of IFRS17 Change in Costs

From (IFRS4&9)	To (IFRS17&9)	Initial delta due to new norm
<b>Costs</b> <ul style="list-style-type: none"> <li>• Staff expenses</li> <li>• General expenses</li> <li>• Network fees</li> <li>• Depreciations</li> </ul>	<b>Costs</b> <ul style="list-style-type: none"> <li>• Including costs directly attributable to Insurance contracts</li> </ul>	=
	<b>Insurance Service Expenses adjusted</b> <ul style="list-style-type: none"> <li>• Insurance Service Expenses</li> <li>• Net Expenses from Reinsurance contracts</li> <li>• (Minus) Costs directly attributable to Insurance contracts</li> </ul>	NEW

- Under IFRS17 « **Operating Expenses** » only represent operating expenses « non-directly attributable » to insurance contracts. The costs directly attributable to insurance contracts are partly included in Insurance Service Expenses and partly amortized over the lifetime of the Life insurance contracts (as part of acquisition and management cost cashflows used for measurement of life insurance liabilities).  
At Belfius, the **costs** will be presented with the same concept as under IFRS4 (costs including directly attributable costs to insurance contracts).
- **Insurance Service Expenses adjusted** reflect (1) the costs incurred in providing services in the period, including incurred claims and any subsequent change in the liability for incurred claims (except for effect of time value of money and financial risk that is booked in Insurance Finance Income and Expenses), (2) the net expenses from Reinsurance contracts, (3) minus the costs directly attributable to insurance contracts.

Preliminary notes  
on IFRS17First time adoption of IFRS17  
Change in C/I ratioFrom  
(IFRS4&9)To  
(IFRS17&9)Initial delta due  
to new norm

$$C/I = \frac{\text{Costs}}{\text{Income}}$$

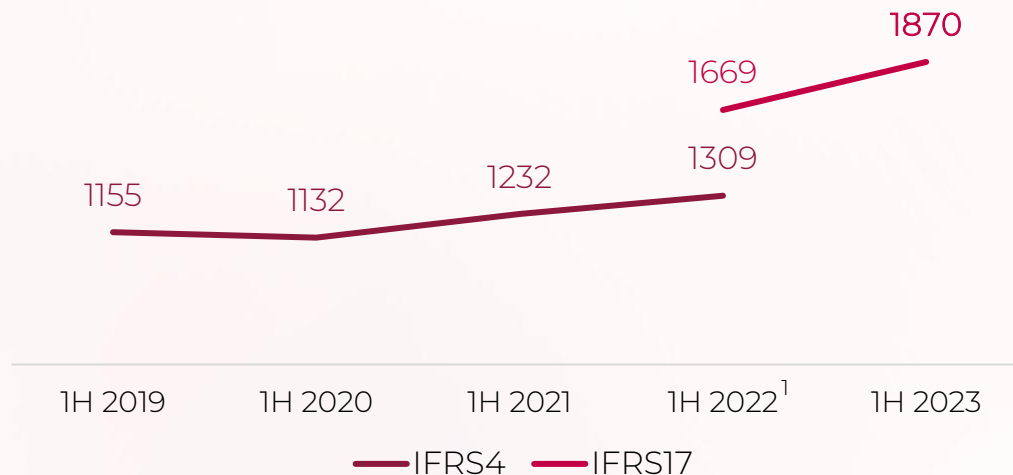
$$C/I = \frac{\text{Costs}}{\text{Income}}$$



- Under IFRS17, Belfius will display a **lower C/I ratio** due to change in income given different representation of net claims charges (reported under Insurance Service Expenses Adjusted).

## Strong growth of total income (+ 202m€) mainly thanks to improving interest margin

Total Income (in m€)

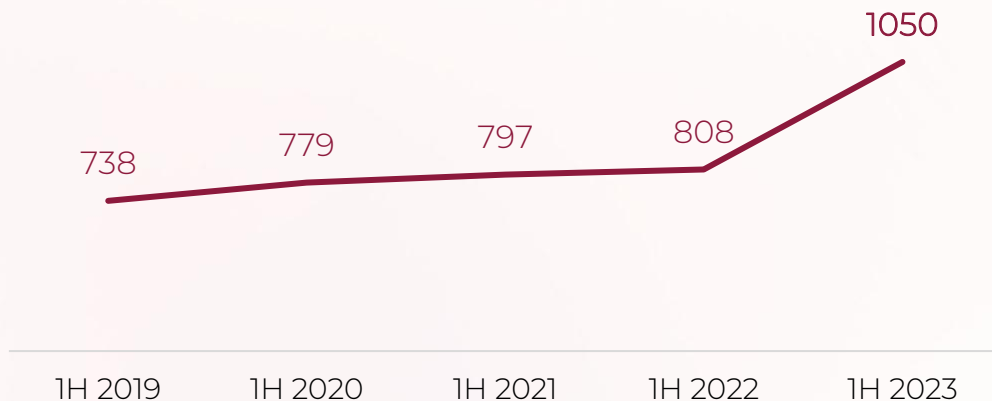


Note 1. Delta Income 1H 2022 IFRS17/9 vs. IFRS4/9 mainly stemming from different measurement & representation of (a) premiums and technical provisioning in total income and (b) acquisition commissions, claims and net reinsurance result under Insurance Service Expenses adjusted.

# Net Interest Income Bank

**Growing Net Interest Income thanks to continued solid commercial dynamics & ALM management, allowing for improving NIM in higher interest rate environment**

Net Interest Income Bank (in m€)

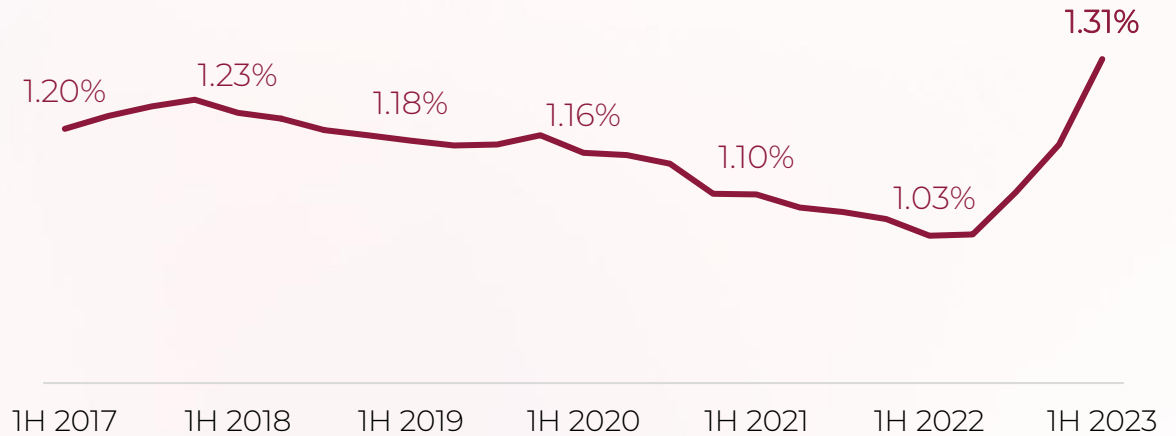


## Financial Results

### Net Interest Income Bank Margins

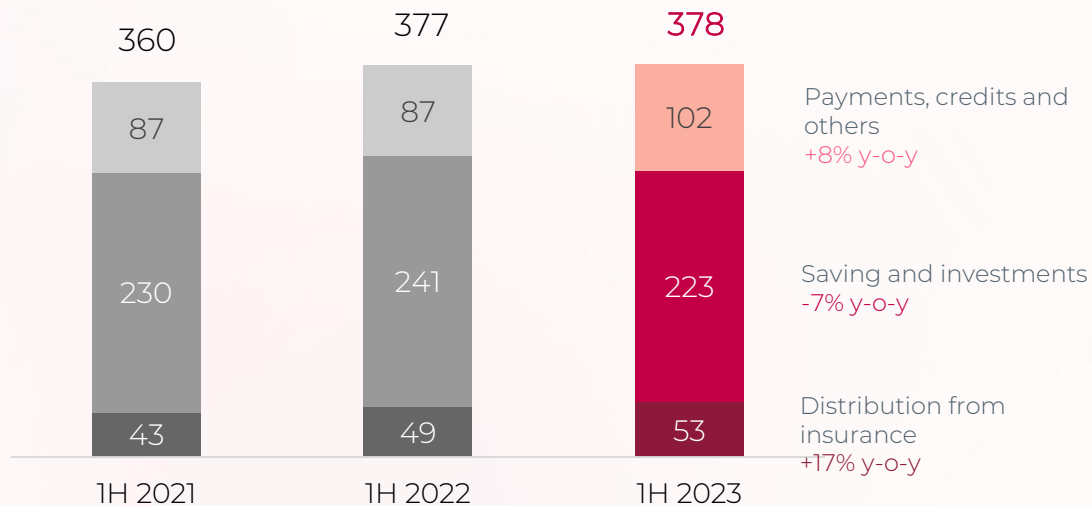
## NIM moving up towards more historical levels, after low for long era

Net Interest Margin (in %)



# Fee & Commission Income Bank

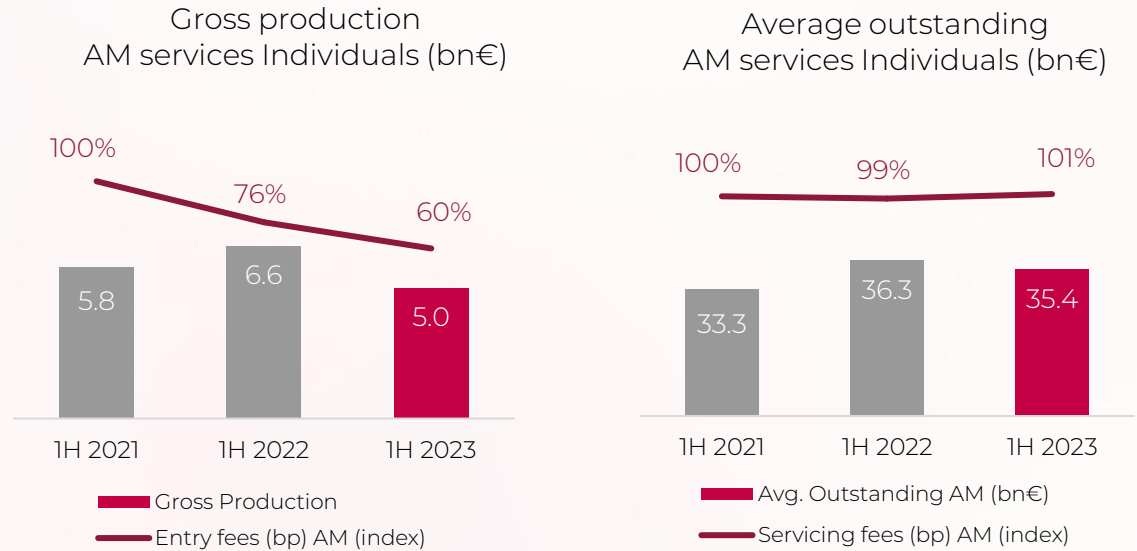
## Stronger payment & insurance fee income lead to overall stable F&C income



## Financial Results

# F&C Income Bank Margins

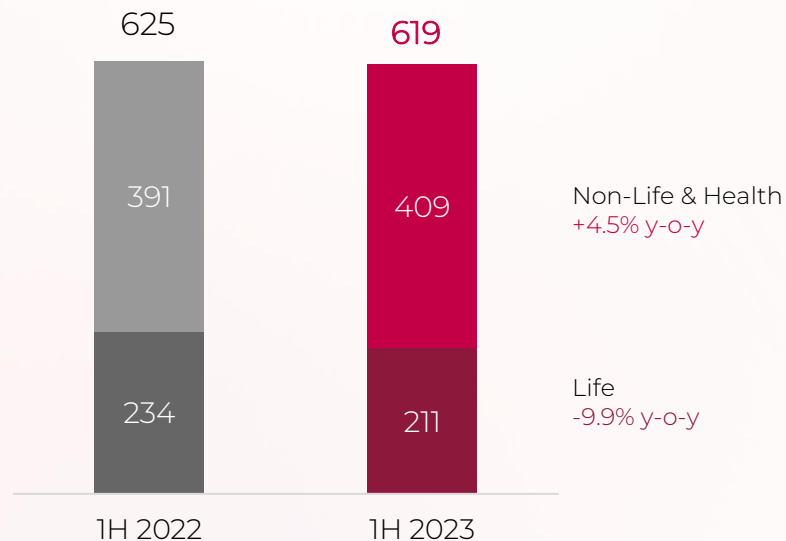
## More challenging 1H 2023 in terms of Asset Management Services, mainly due to higher competition from maturing deposits investment opportunities





# Insurance Income (IFRS17)

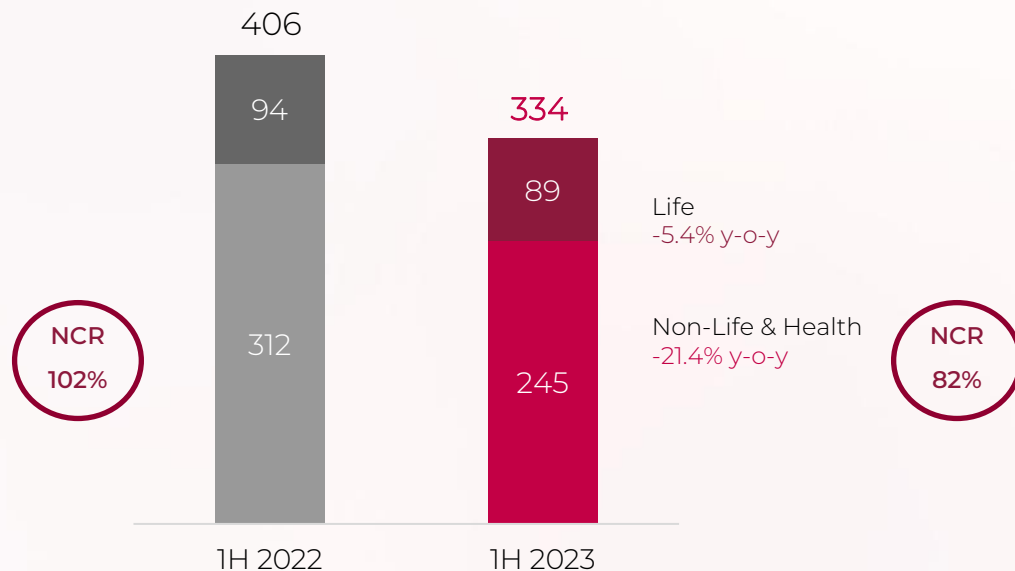
**Non-Life income supported by indexation of premiums and continued portfolio growth; Life income affected by lower finance result in line with loss of carry from repo activity**



**Life Income** represents the Financial Income, Net Insurance Finance Result, Insurance Revenue, Net Commissions & Other Income allocated from Life Insurance contracts.

**Non-Life & Health Income** represents the Financial Income, Net Insurance Finance Result, Insurance Revenue, Net Commissions & Other Income allocated from Non-Life & Health Insurance contracts.

# Non-Life Insurance Service Expenses adjusted<sup>1</sup> supported by lower claims in absence of material Natural Catastrophe in 1H 2023 and some release risk adjustment

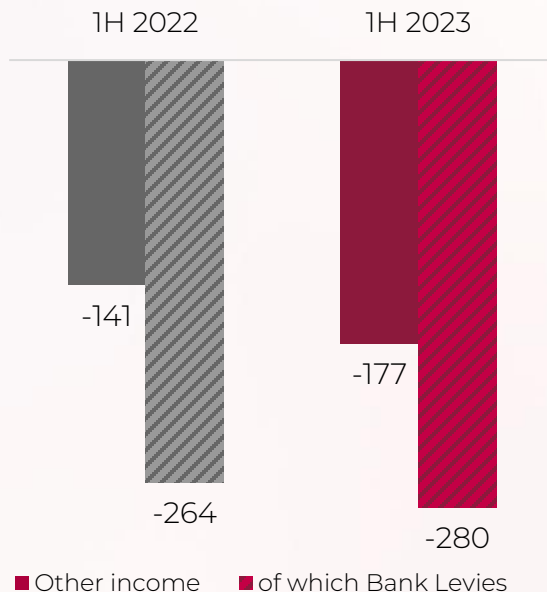


Financial Results

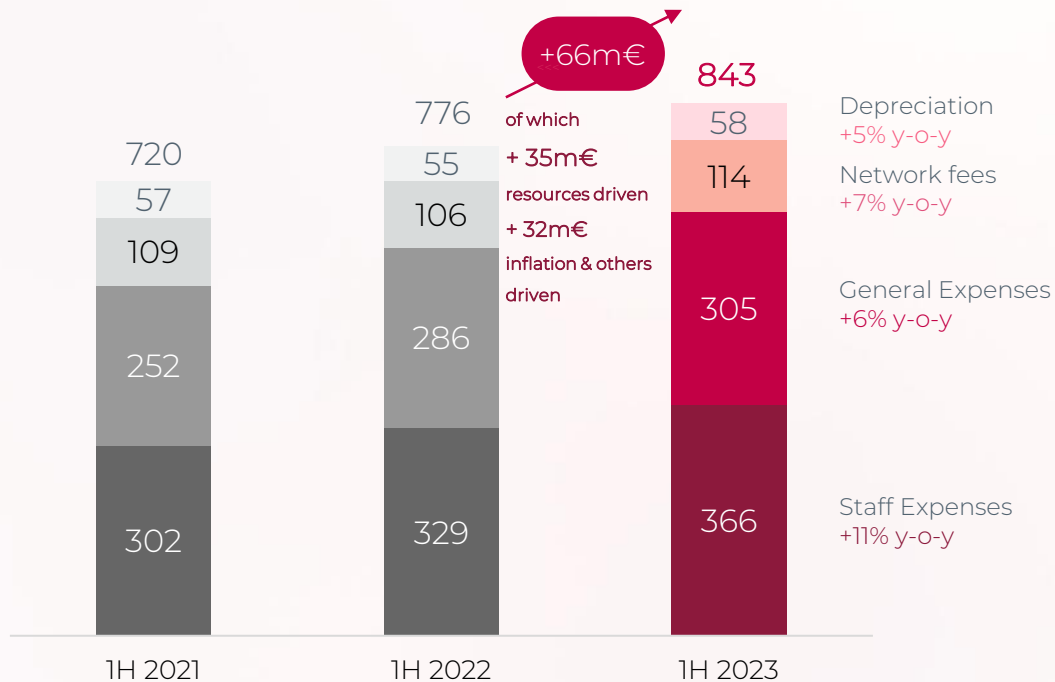
Insurance Service Expenses adjusted



# More negative Other Income, despite better Financial Markets related income, mostly due to higher bank levies



# Costs<sup>1</sup> increasing due to inflationary pressures alongside continued workforce reinforcements in line with Belfius' commercial growth



# Continued investment in human capital fully in line with Belfius' strategy

**+ 181 avg FTE**

Growth of avg FTE compared to 1H 2022

**291 new hires**

(headcount) in 1H 2023

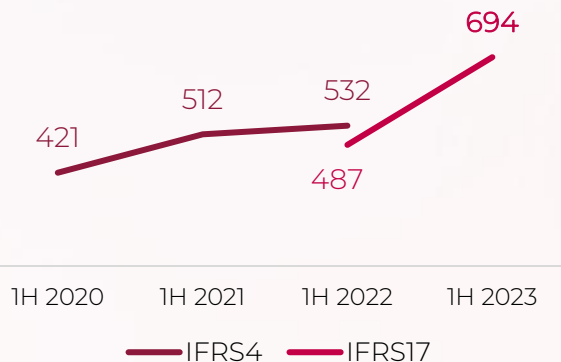
Especially within all strategic axes



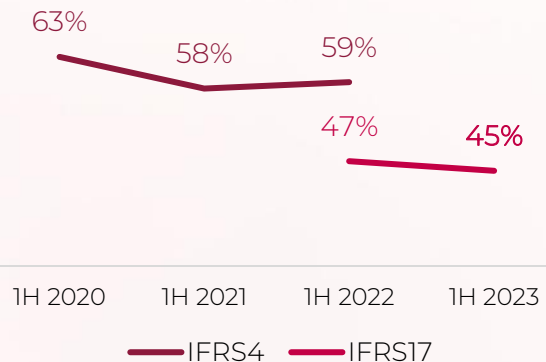
# Improving interest margin big support for pre-provision income growing further to 694m€

Profitable growth

Pre-provision Income (in m€)



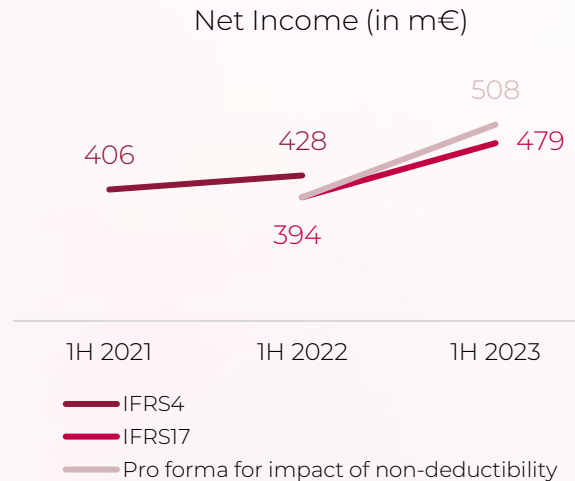
Cost/Income ratio (in %)



## Effective tax rate impacted by new legal limitation (from 2023 onwards) of the deductibility of Belgian banking tax<sup>1</sup>

As of 2023, the Belgian government limited the deductibility of the Belgian Tax on Credit Institutions<sup>1</sup> to 20% (instead of fully deductible formerly).

If this deductibility did not change we would have achieved a pro forma Net Income of 508m€ per 1H 2023.





# Sustained Risk Profile and Sound Solvability



# Leaving Covid-era behind us, back to credit risk provisioning giving more weight to point-in-time and forward looking elements

1

When the Covid-19 crisis emerged, and given the fact that traditional credit risk models were not fully fit to assess the impact on loan portfolios of such black swan event, **the provisioning methodology was adapted in 2020**, a.o. by integrating 10 year historical data and a 3 year forward looking perspective on macroeconomic factors, in order to apply as such a more through-the-cycle view and to avoid a too high pro-cyclicality in these ECL calculations, in line with the ECB/EBA guidance at the time.

2

Leaving Covid-era behind us, and moving more into events that have historically already occurred (like inflation and energy crises), **Belfius is returning to its more standard IFRS9 approaches**.

3

For the **general macroeconomic driven credit risk provision in stage 1 and 2**, this means we base that reserve now only on 2022-2024 macroeconomic data (leaving the last 10 year average aside).

4

For the **expert overlay for vulnerable exposures in stage 1 and 2**, Belfius has progressively moved from risk pockets made up of sectors and companies impacted by covid-related elements to sectors and companies (potentially) impacted by energy and inflation driven risk factors.

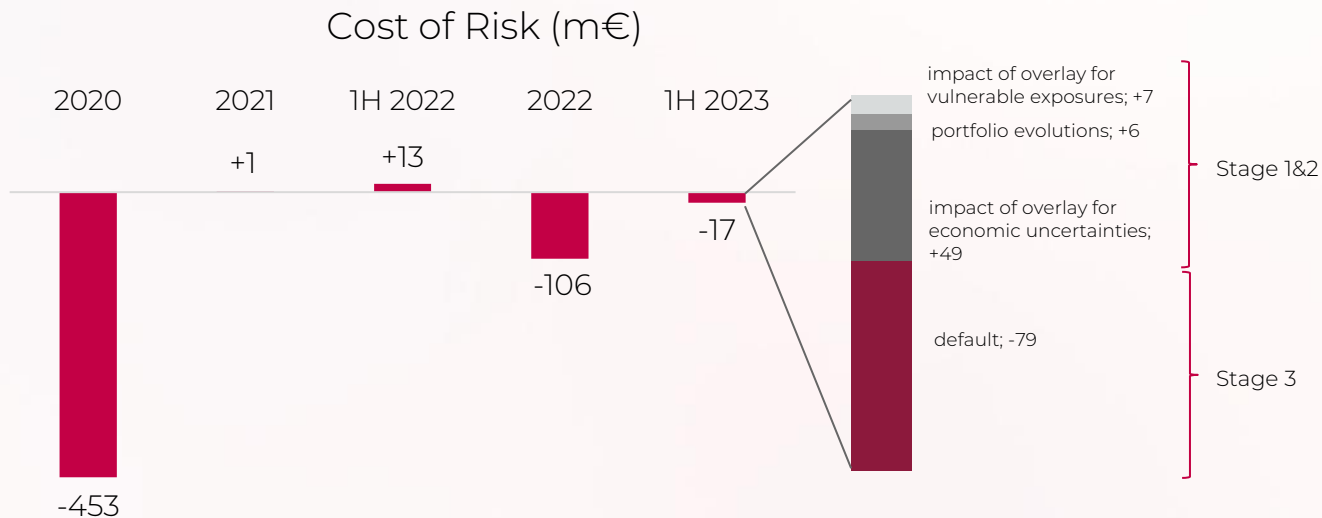
Sustained Risk Profile

Cost of Risk

## Still benign overall 1H 2023 cost of risk, resulting from stage 1 & 2 reversals and stage 3 allowances

Sustained Risk Profile

## Cost of Risk



# Partial release of overlay for economic uncertainties

Sustained Risk Profile

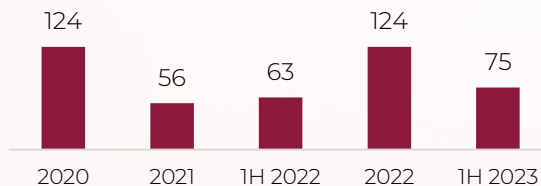
## Cost of Risk

Slightly improving macroeconomics

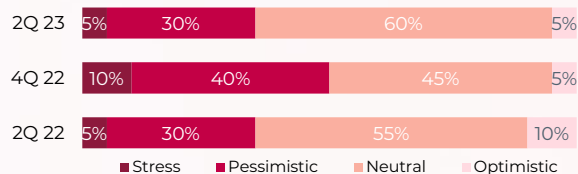
GDP BE (% YoY)

Scenarios for year	As of end 2022			As of 2Q 2023		
	2022	2023	2024	2022	2023	2024
Optimistic	3.4	0.7	2.2	3.1	1.5	1.8
Neutral	2.8	0.1	1.6	3.1	0.9	1.2
Pessimistic	1.7	-1.6	0.5	3.1	-0.2	0.1
Stress	1.2	-1.6	-0.1	3.1	-0.8	-0.5

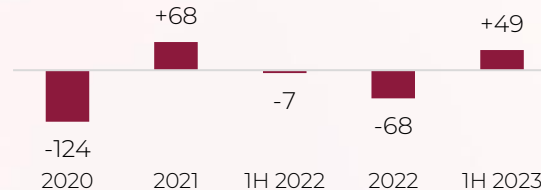
Resulting stock of provision  
for economic uncertainties (m€)



Lower weight to stress & pessimistic scenarios



Cost of Risk (m€)

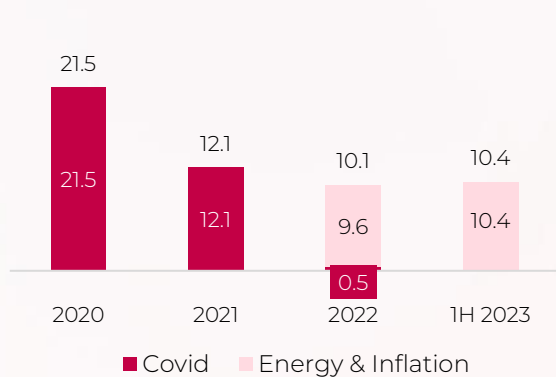


## Slight release of overlay for vulnerable exposures

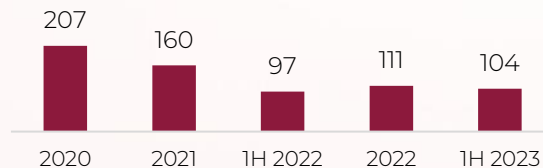
Sustained Risk Profile

## Cost of Risk

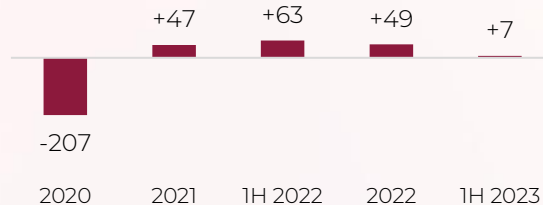
Exposures in scope "vulnerable"  
with type of vulnerability (bn€)



Resulting stock of provision for  
vulnerable exposure (m€)



Cost of Risk (m€)

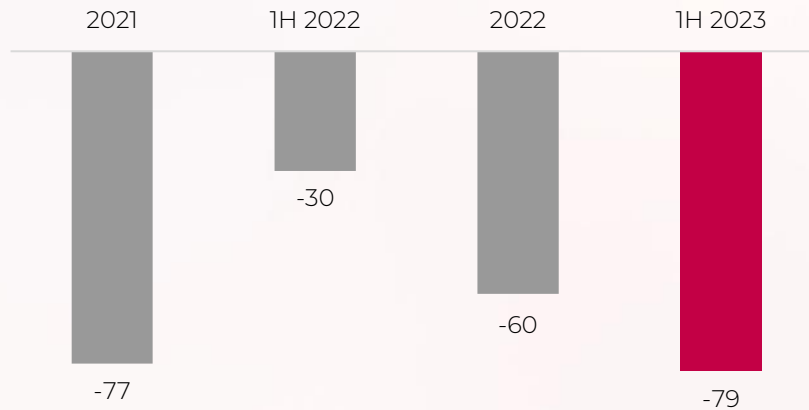


**Migrations to stage 3 are increasing (although some of them are exceptional), partially absorbed by our anticipative provisioning in stage 2**

Sustained Risk Profile

Cost of Risk

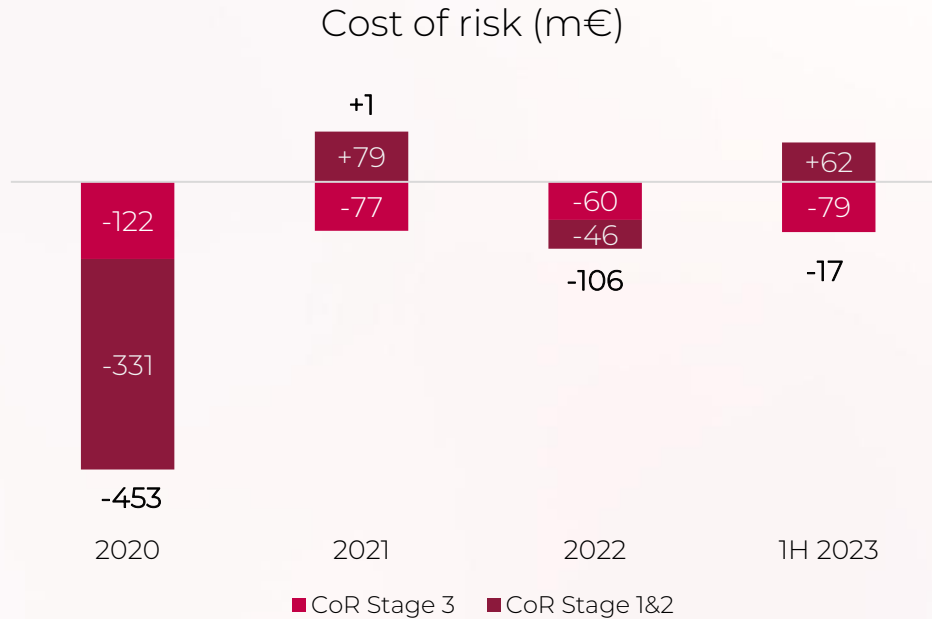
Cost of risk Stage 3 (m€)



# Overall leading to well controlled Cost of Risk 1H 2023

Sustained Risk Profile

## Cost of Risk

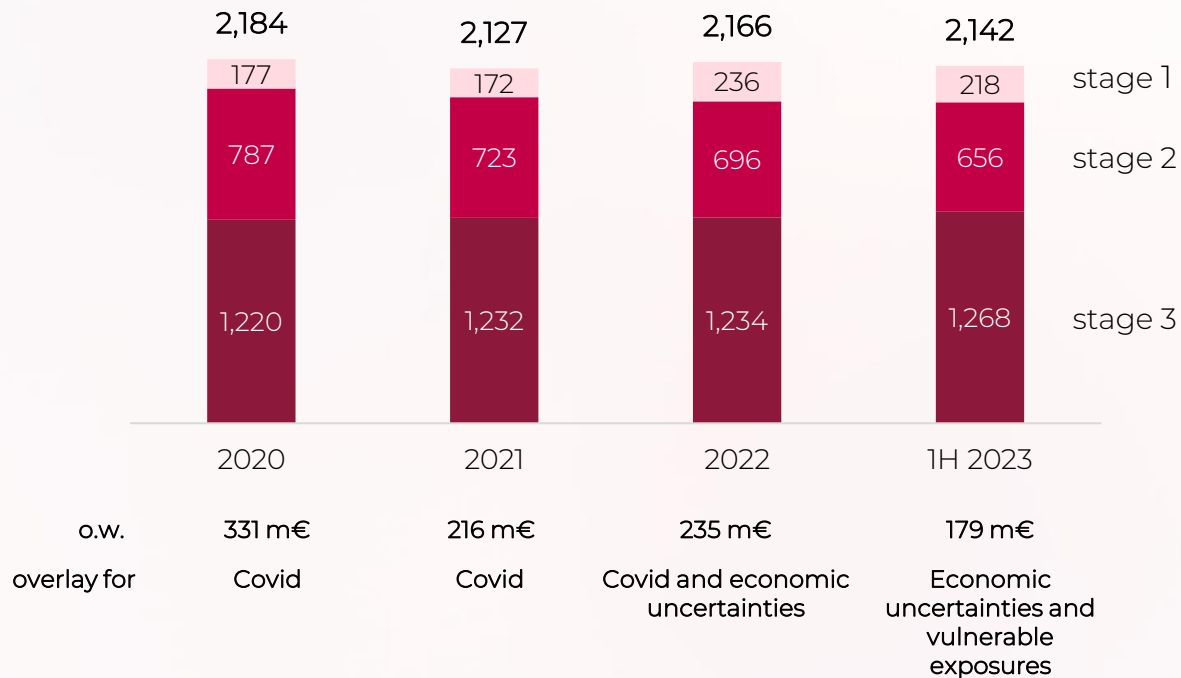


# Continued sound level of provisioning for credit risk

Sustained Risk Profile

## Cost of Risk

Total impairment level (m€)

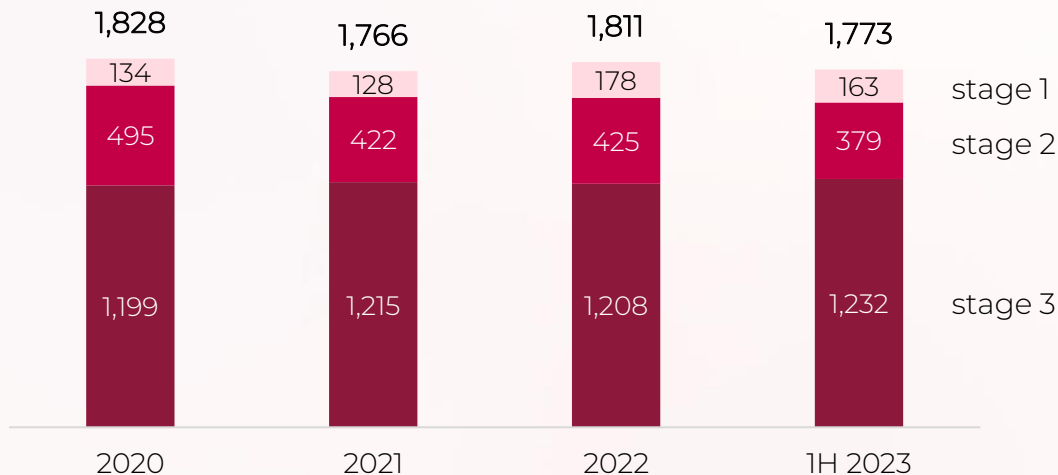


# Continued sound level of provisioning for credit risk

Sustained Risk Profile

## Cost of Risk

o.w. for loans to customers (m€)



NPL ratio	2.02%	1.95%	1.82%	1.91%
Coverage ratio stage 3	60.0%	60.4%	59.6%	56.7%



## Solid Foundations

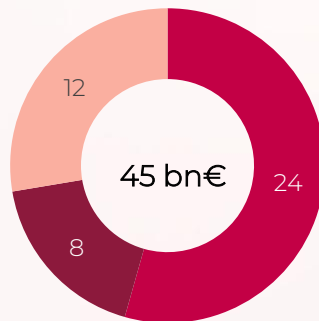
LCR<sup>1</sup> of 156%

NSFR of 133%

HQLA of 32 bn€

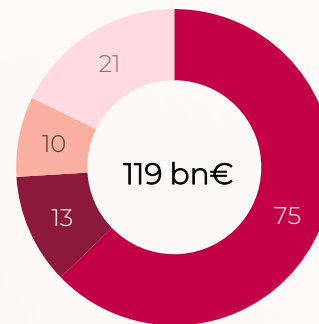
## Belfius continues to display strong liquidity stance

Total liquidity buffer 1H 2023 (in bn€)



- cash placed at central bank
- liquid bonds
- assets eligible for central bank funding

Commercial funding 1H 2023 (in bn€)



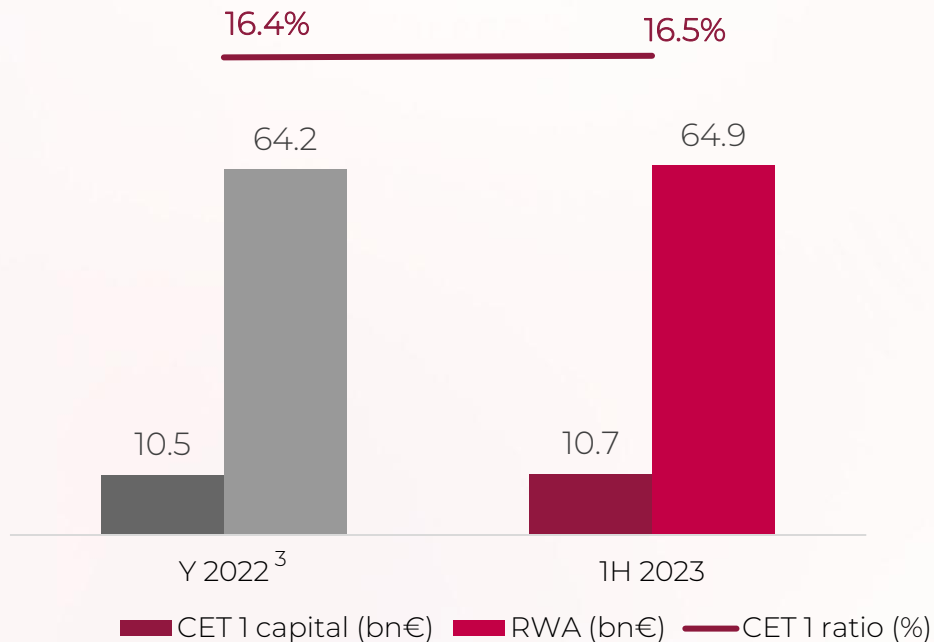
- Individuals
- Business
- Corporate
- Public

Solid Foundations

MREL<sup>1</sup> of 30.0%

Belins SII ratio of 195%<sup>2</sup>

## Belfius continues to show resilient solvency metrics

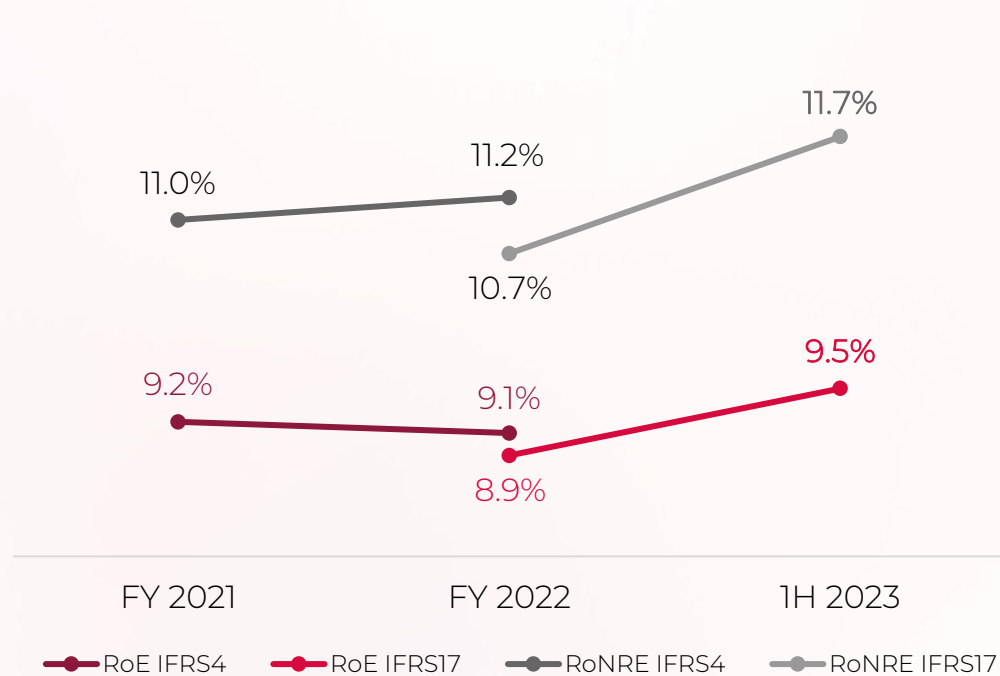


Notes: 1. MREL/RWA, min. MREL of 27.6%. 2. SII ratio after dividend. 3. In the graph above, Y 2022 represents the pro forma for IFRS17. Under IFRS4, the CET 1 ratio amounted to 16.5%, CET 1 capital to 10.7 bn€ and the RWA to 64.8 bn€.

Solid Foundations

Profitable  
growth

**Return on Equity above our 8% to 9% target,  
increasing in line with increasing interest rates**



Notes: RoNRE definition (13.5% RWA) = last 4 quarters Net Income / last 5 quarters rolling average RWA\*13.5%;

RoE definition = sum of the net result of the last 4 quarters divided by the 4 quarter rolling average of the Shareholders Equity

Thank you

Q&A

by chat

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